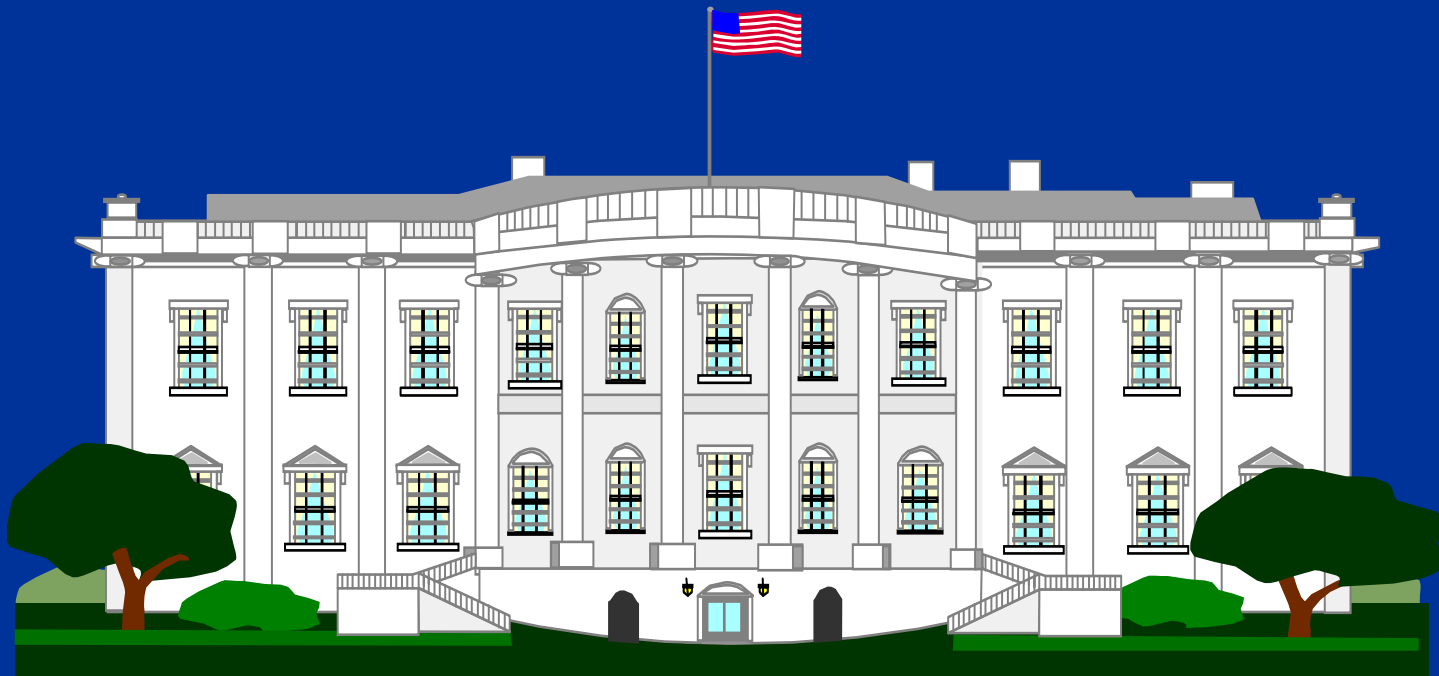


OMB Cost Principles

Gilbert Tran

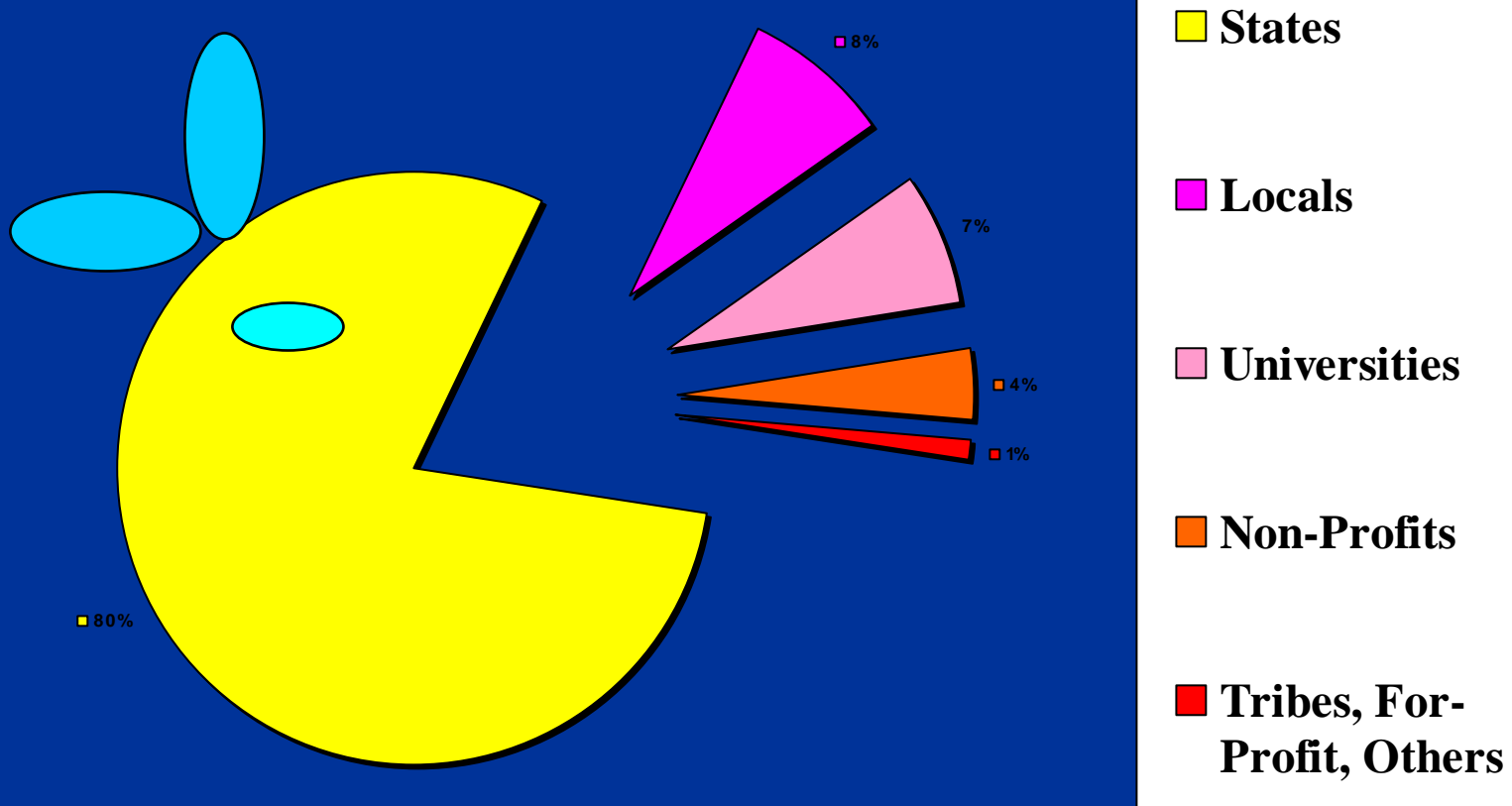


Agenda

- It's all about Grants
 - Garden of Grants
 - Grant Requirements
 - Grant Cost Principles



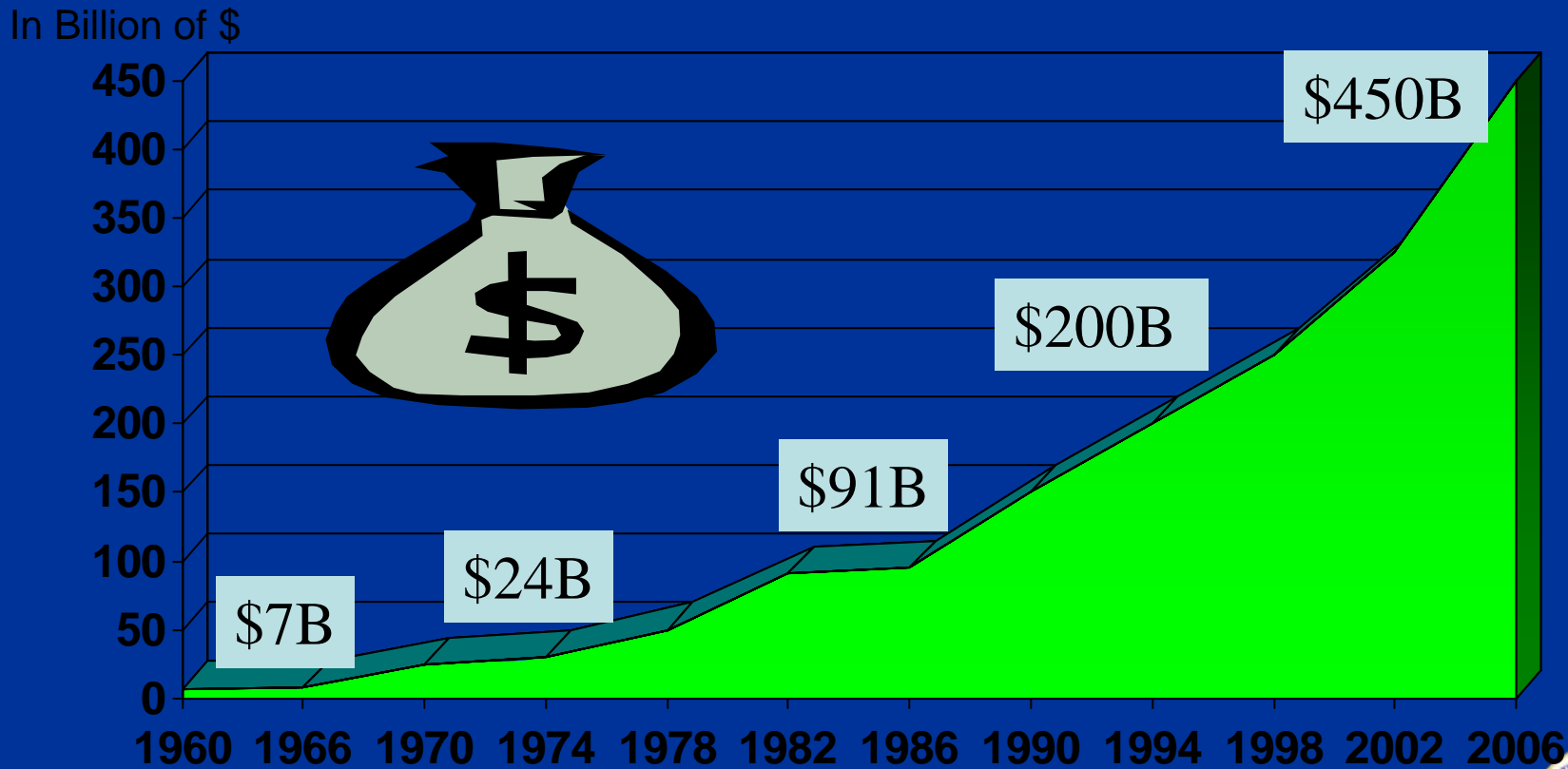
Distribution of Federal Grants



2006 US BUDGET - \$2.6 TRILLION GRANTS- \$450 BILLION



Steep Rise in Federal Grants



CFDA lists more than 1000 Federal grant programs





BY KEVIN CLARK—THE WASHINGTON POST

in office of the National Children's Study, which
900 children from before their birth until age 21.

information to try to determine what in-born factors influence health, emotional well-being and behavioral development.

The study will try to answer such questions as: Does watching television affect behavior? Do vaccines cause autism? How does spanking affect development and emotional health? Is day care harmful or helpful?

"These are really important questions that we think our society ought to be answering," Scheldt said.

Some, however, have questioned whether the money could be used better in other ways.

The FAIR Foundation, an NIH watchdog group, believes the money "would be better spent in finding cures for existing diseases," said Richard Darling, the group's president. "Such diseases are receiving disproportionately low NIH research funding."

But Leonardo Trasande, assistant director of the Center for Children's Health and the Environment at the Mount Sinai School of Medicine in New York, who is helping plan the study, defended the price tag.

"This study is a relatively small cost, compared with the actual cost of environmental disease in children, and would make significant and unique contributions to understanding how the behavioral environment, the social environment and other environmental factors in early life may predispose certain individuals to certain conditions," he said. "Once completed, it will be the richest information source for child health policy for generations to come."

Democrats Question Use Of 9/11 Emergency Fund

Lawmakers Seek 'Full Accounting' of \$40 Billion

By DAN MORGAN
Washington Post Staff Writer

The ranking Democrats on the House and Senate Appropriations committees charged yesterday that the Bush administration had not complied with reporting requirements set by Congress for the use of a \$40 billion emergency fund approved three days after the Sept. 11, 2001, terrorist attacks.

In a letter to President Bush, Sen. Robert C. Byrd (W.Va.) and Rep. David R. Obey (Wis.) outlined "numerous concerns about the administration's stewardship of these funds" and requested a "full accounting" of the entire \$40 billion.

The \$40 billion Emergency Response Fund was approved Sept. 14, 2001, to assist victims of the attacks, counter new attacks at home and abroad, and strengthen national security. Bush was given broad flexibility over the use of \$20 billion of the total.

But according to the letter sent to the president yesterday:

■ The law required the White House budget office to send Congress quarterly reports on the use of the money, but the last report was sent May 9, 2003, covering expenditures through February 2003.

■ The law required the administration to consult Congress about the use of the funds, but Byrd and Obey said they have no record of the Pentagon consulted Congress on the use of \$178 million that funded 21 Pentagon projects in the Persian Gulf region to "support the global war on terrorism."

■ On Sept. 30, 2003, the administration notified Congress it was allocating \$290 million from the emergency fund to support the government in Afghanistan. But the May 9 report indicated only \$21 million remained in the emergency fund.

"While we had no objection to the support for the government of Afghanistan, your report begs the question: From whence came the money?" the letter stated.

Yesterday, James W. Dyer, GOP chief of staff of the House Appropriations Committee, said the panel is "looking into" administration compliance with reporting requirements tied to a series of supplemental appropriations for the war on terrorism.

"We've nagged and ragged them [in the administration], but frankly we haven't gotten full satisfaction," he said.

The White House Office of Management and Budget said in a statement yesterday:

"The president asked for and Congress provided unprecedented flexibility for funds to wage the war on terrorism. Since then, the administration has kept Congress fully informed about obligations from the Emergency Response Fund."

The burst of congressional interest in the administration's use of tens of billions of dollars of emergency spending authority follows publication of the book "Plan of Attack" by Washington Post Assistant Managing Editor Bob Woodward.

The book suggests that the administration began planning to build up facilities near Iraq well before Congress approved an Iraq war resolution in October 2003 and that it was planning to tap into emergency appropriations.

"The big-muscle movement was for airfields and fuel infrastructure in Kuwait where a massive covert public works program had been launched," Woodward writes. A key objective was to move enough fuel to the Iraqi border "to move and support a giant invasion."

In an interview with Woodward, Bush praised Defense Secretary Donald H. Rumsfeld and Army Gen. Tommy R. Franks, commander of the U.S. Central Command, for their foresight in expanding the infrastructure.

"He acknowledged with a terse 'Right. Yup,' that the Afghanistan war and the war on terrorism provided the excuse, that it was done covertly, and that it was expensive," Woodward wrote of his interview with the president. Bush cautioned him, however, that the pre-positioning should not be viewed as a commitment at that time to go to war.

A new Pentagon briefing paper states that in August and September 2002, \$178 million was made available to the Central Command to support communications equipment, fuel supplies and improvements in forward headquarters.

The money went to such things as headquarters, oil pipelines and staging areas, according to documents provided to Congress by the Pentagon. The briefing paper stressed that "no funding was made available with Iraq as the exclusive purpose."

Obey and Byrd wrote, however, that they had no record of Congress being consulted about the expenditure "nor is there sufficient detail in the Department of Defense quarterly reports to indicate whether funds were used to prepare for the war in Iraq."





Kathleen Glynn, center, are greeted by Democratic National Committee Chairman Terry McAuliffe at premiere of "Fahrenheit 9/11." At right is Lila Lipscomb, the mother of a U.S. soldier killed in Iraq.

BY MICHAEL LUTZKY—THE WASHINGTON POST

't 9/11' Is a Red-Hot Ticket

8. Premiere, the White House Takes the Heat

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A group called Move America Forward has begun a letter-writing campaign asking theaters not to show "Michael Moore's horrible anti-American movie."

All this before "Fahrenheit 9/11" has even officially opened.

"I can't think of any precedent for it in a presidential campaign," says Frances Lee, a political science professor at Case Western Reserve University. "As a marketing phenomenon it seems to echo 'The Passion [of the Christ]': intense enthusiasm, organized groups buying tickets with proselytizing zeal, the sense that

one is getting something that corporate America wanted to stifle."

The last time a cultural moment injected itself into the race for president was in 1992, with then-candidate Bill Clinton's scolding of rapper Sister Souljah. But when "Fahrenheit 9/11" opens tomorrow in nearly 900 theaters nationwide—a record for a documentary film release—it will be received like a two-hour campaign commercial aimed at President Bush and his war on terrorism.

"I did not set out to make a political

See FAHRENHEIT, A8, Col. 1

D.C. Area Anti-Terror Spending Criticized

Homeland Security's Local Office Lacks Strategy, GAO Says

By SPENCER S. HSU
Washington Post Staff Writer

As much as \$340 million in federal money to secure the Washington area against terrorism has been spent without a coordinated plan or a system for measuring how safe the region is, according to a new congressional report.

The 53-page study by the General Accounting Office criticizes the Department of Homeland Security's regional office for failing to track the spending and being unable to tell Congress whether critical security gaps remain.

State and local governments in the Washington region received a massive two-year infusion of federal anti-terrorism funds after the Sept. 11, 2001, attacks in Washington and New York. Last year, Congress asked the GAO to assess the department's performance in protecting the capital area, identifying vulnerabilities and monitoring use of the federal grants.

The GAO report says that state and local governments took seven months to provide its investigators with grant amounts and that many lacked basic documentation of how money was spent. The study also found cases of likely duplication in purchasing decisions, including \$2 million spent by local governments on similar police and fire command vehicles or similar hazardous-materials equipment.

See FUNDS, A16, Col. 1



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THE WALL STREET JOURNAL

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TUESDAY, AUGUST 16, 2005 - VOL. CCXI

Cash Injection

As Universities Get Billions in Grants, Some See Abuses

Cornell Doctor Blows Whistle Over Use of Federal Funds, Alleging Phantom Studies

Defending a Star Professor

By BERNARD WYSOCKI JR.

NEW YORK—Kyriakie Sarafoglou had only worked at Cornell University's medical school here for a few months when she says she suspected something was amiss. Cornell had received a five-year, \$23 million grant from the National Institutes of Health for a center conducting studies of children's diseases. But several research projects Cornell had said it would carry out existed only on paper. The money for the children's center was being used to treat many adults, and the center enrolled people as study subjects who didn't have the diseases being studied.

After digging deeper, Dr. Sarafoglou, a 43-year-old native of Greece, concluded that Cornell was defrauding American taxpayers. Cornell, she believed, was taking grant money for studies and using it to support standard care for patients at New York-Presbyterian Hospital, a Cornell affiliate on Manhattan's Upper East Side.



Kyriakie Sarafoglou

She pushed her complaints up the university ladder, but she says she was brushed aside. In the fall of 2003, she filed a sealed 35-page civil lawsuit against Cornell and 11 of its senior faculty and provided a copy to the U.S.

"When you see all this research money being wasted, what do you do?" asks Dr. Sarafoglou.

She pushed her complaints up the university ladder, but she says she was brushed aside. In the fall of 2003, she filed a sealed 35-page civil lawsuit against Cornell and 11 of its senior faculty and provided a copy to the U.S.

What's News

Business and Finance

DELTA IS SELLING its Atlantic Southeast regional carrier unit to SkyWest for \$425 million as it scrambles to avoid bankruptcy protection. But the airline added that the sale won't be nearly enough to cover a cash reserve needed to secure a crucial credit-card-processing deal. (Article on Page A3)

FOUR brokers used "squeaky boxes" to pass on client stock orders to day traders in return for bribes, according to a grand jury indictment and SEC action. (Article on Page C1)

Carl Icahn plans to meet with Time Warner to discuss his push for the media firm to spin off its cable unit and buy back stock. (Article on Page A3)

The CBO forecast an improved budget outlook over the next decade but predicted wider deficits if tax cuts are extended. (Article on Page A2)

Lowe's net jumped 20% despite higher gasoline prices and interest rates, as consumers continued to spend on home renovations. (Article on Page A2)

The Fed found that novel mortgage products accounted for up to 25% of all home loans originated over the past year. (Article on Page A2)

The Dow industrials rose 34.07 points to 10634.38 as oil prices pulled back, falling 59 cents to \$66.27 a barrel on the Nymex. (Article on Page C3)

Asiant is seeking its exit from

World-Wide

IRAQIS STUMBLER at the finish line as snags held up a constitution. Parliament granted a one-week extension to resolve differences over the role of Islam and regional autonomy, with Shiites, Kurds and Sunnis still far apart. Should drafters ultimately fail, the price may be political crisis and a strengthened insurgency. But Premier Jaafari said delay is better than a charter "born crippled." The U.S. pressure for reaching an accord on schedule, but Rice minimized the significance of the missed deadline, saying she is optimistic that consensus will be achieved. (Pages A3, A4)

U.S. military officials indicate that Iraqi troops' progress toward taking over security, but can't say for sure if they'll be ready next year. Canada said that one of its citizens has been abducted and killed in Iraq.

Gaza settlers remonstrated with Israeli soldiers sent to evict them, but violence was minimal. Abbas set Jan. 21 Palestinian elections that will include Hamas, a bid to give militants reason to hold fire during the pullout.

A bomb hurt two Canadian peacekeepers slightly in the Sinai, a rare attack that came as Egypt prepared to deploy on Gaza's southern border.

Some passengers were alive when a Cypriot jet crashed Sunday, likely unconscious, autopsies say. Police began a probe of Helios Air. The crash shows how little time fliers have to react to depressurization. (Page D1)

Northern Japan was hit by a magnitude 6.8 quake, triggering a Miyagi Prefecture tsunami alert. There was no immediate word of any casualties.

Japan's Koizumi avoided a divisive shrine and issued an apology to mark V-J Day. He may win an early election gamble, polls say. (Page A14)

Afghan forces killed at least 28 suspected guerrillas in a broad offensive

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BRASIL man Roberto himself on corruption voice would No one son meant month on most popular Jefferson called "Not broken love"



Roberto Jefferson

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"Until now, the government has essentially relied on the honor system to police its grants. The auditors who examine universities' books are hired by the universities themselves." WSJ 8/16/05



FY 2006 Budgeted Grant Outlays to State & Local Governments by Agency

	\$\$\$\$	#Programs
Department of Agriculture	\$25.7	68
Department of Commerce	0.6	40
Department of Education	40.1	124
Department of Energy	0.3	4
Department of Health and Human Services	256.6	169
Department of Homeland Security.....	9.1	32
Department of Housing and Urban Development	34.8	31
Department of the Interior	4.1	66
Department of Justice	3.8	60
Department of Labor	7.1	22
Department of Transportation	46.8	20
Department of the Treasury	0.3	1
Department of Veterans Affairs	0.3	6
Environmental Protection Agency	3.8	44
Other agencies	2.2	--

Total435.7 Billion

I'm DHHS,
Hear me roar,
RAA!!



2004 TOP 10 FEDERAL PROGRAMS

(IN \$ BILLION)

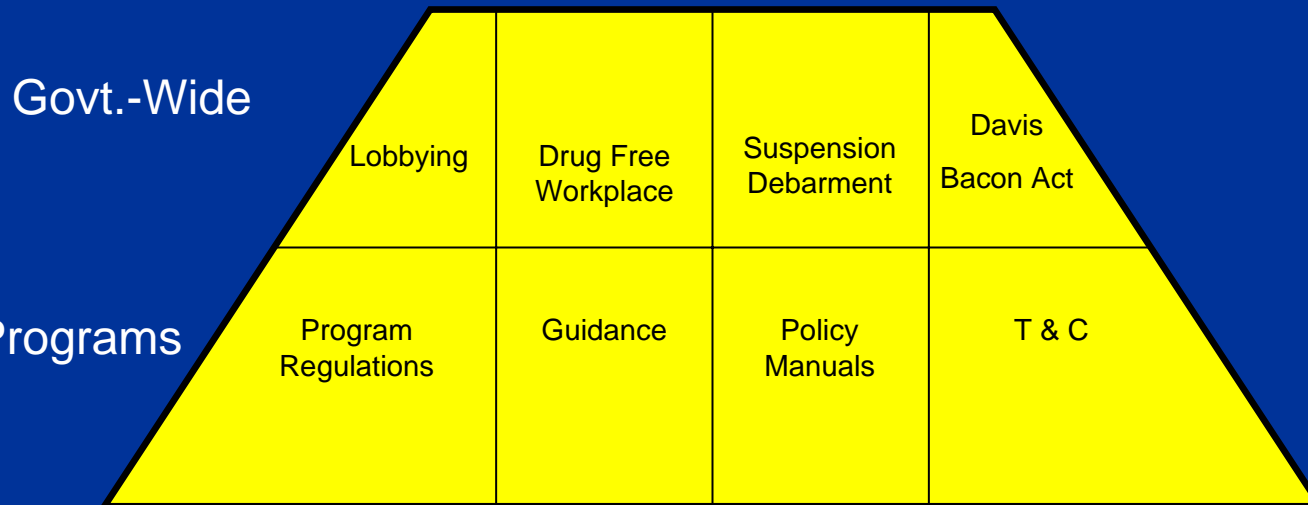
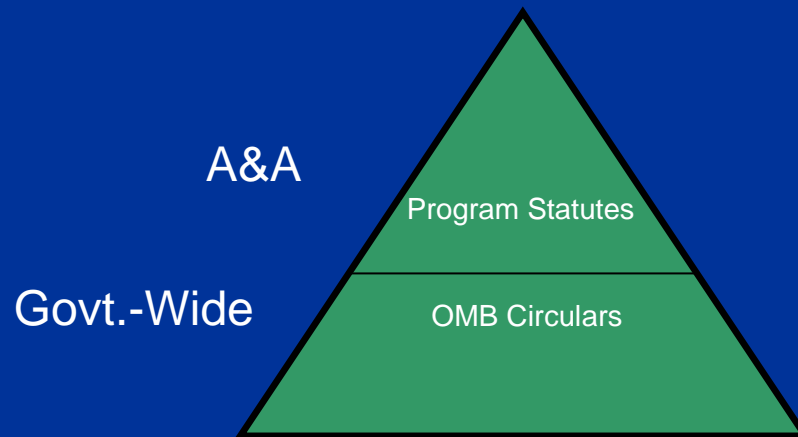
■ Medicaid	177.2
■ Highway Planning & Const.	35.8
■ TANF - HHS	19.2
■ Section 8 Housing Choice Vouchers	14.7
■ Title I –Education	12.3
■ Special Education to States	10.1
■ Head Start	6.8
■ National School Lunch Program	6.8
■ Foster Care	4.7
■ Nutrition Program for WIC	4.6



Total: \$292.2 Billion



The Pyramid of Grant Requirements



Layers of Grant Requirements

- **Statutes**
 - **Authorizations:** establish program, define purpose, prescribe eligibility standards and application process, set grant terms and conditions
 - **Appropriations:** make fund available
- **OMB Circulars** – Government-wide guidance adopted by agencies in their regulations
- **Public Policy Requirements** (e.g., lobbying, drug-free workplace)
- **Agency Program and Administrative Regulations**
- **Other Agency Guidance:** policy manuals, award document T&C

OOH My head hurts!!



Program Statutes- EPA

- Public Law 106-74 – Oct.20,1999
 - *Sec. 408. None of the funds in this Act may be used, directly or through grants, to pay or to provide reimbursement for payment of the salary of a consultant (whether retained by the Federal Government or a grantee) at more than the daily equivalent of the rate paid for level IV of the Executive Schedule, unless specifically authorized by law.*



Program Authorization- DHHS

- P.L. 109-149, DHHS Appropriations, December 30, 2005
 - *Sec. 201. None of the funds in this Act for the National Institutes of Health, the Agency for Healthcare Research and Quality, and the Substance Abuse and Mental Health Services Administration shall be used to pay the salary of an individual, through a grant or other extramural mechanism, at a rate in excess of Executive Level I.*





To allow or not to allow,
that is the question...

Sir William Shakesbeare



OMB Grants Management Circulars



What's the LAW ?

- Cost Principles (Gilbert Tran)
 - A-21- Colleges & Universities
 - A-87- Governments
 - A-122- Non-Profits
- Administrative Requirements (Beth Phillips)
 - A-102- Governments
 - A-110- Everyone Else
- Audit Requirements (Gilbert Tran)
 - A-133- Everyone
 - Compliance Supplement



Relation to Other Circulars

Type of Institution	Cost Principles	Administrative Requirements	Audit
State/Local Government	A-87	"Common Rule" A-102	A-133
Colleges & Universities	A-21	A-110	A-133
Hospitals & Care Facilities	Various, 45 CFR 74	Various, A-110	Various, A-133
Other Non-Profits	A-122	A-110	A-133
For Profit (commercial)	48CFR Part 31	FAR	FAR



General Principles

Composition of Total Costs

The total cost of any grant program is composed of the

ALLOWABLE DIRECT and

ALLOCABLE INDIRECT COSTS less

APPLICABLE CREDITS



Objectives of the Circular

- Provide guidelines for reimbursement requirements
- Provide uniform standards of allowability
- Provide uniform standards of allocation
- Does not supersede limitations imposed by law
- Simplify intergovernmental relations
- Encourage consistency in treatment of costs



Circular Basic Principles

- Provide guidelines on cost reimbursements of Federal awards
 - Cost Allowability
 - Direct and indirect costs
 - Allocation of indirect costs
 - Provisions on specific items of costs



Cost Allowability

- **Reasonable**: “incurred by a prudent person”, “necessary for the operation”
- **Allocable**: “benefits received”
- **Allowable**: Circular, law, T&C, local reg.



Compliance Supplement – Part 3B – Exhibit 1 Sample

Selected Items of Cost			Exhibit 1 (amended 6/04)
Selected Cost Item	OMB Circular A-87, Attachment B State, Local, & Indian Tribal Gov'ts	OMB Circular A-21, Section J Educational Institutions	OMB Circular A-122, Attachment B Non-Profit Organizations
Advertising and public relations costs	(1) Allowable with restrictions	(1) Allowable with restrictions	(1)-Allowable with restrictions
Advisory councils	(2)-Allowable with restrictions	(2) Allowable with restrictions	(2) Allowable with restrictions
Alcoholic beverages	(3)-Unallowable	(3)-Unallowable	(3)-Unallowable
Alumni/ae activities	Not specifically addressed	(4)-Unallowable	Not specifically addressed
Audit costs and related services	(4)-Allowable with restrictions and as addressed in OMB Circular A-133	(5)-Allowable with restrictions and as addressed in OMB Circular A-133	(4)-Allowable with restrictions and as addressed in OMB Circular A-133
Bad debts	(5)-Unallowable	(6)-Unallowable	(5)-Unallowable
Bonding costs	(6)-Allowable with restrictions	(7) Allowable with restrictions	(6)-Allowable with restrictions

http://www.whitehouse.gov/omb/grants/2004_cost_principles_exhibit.pdf

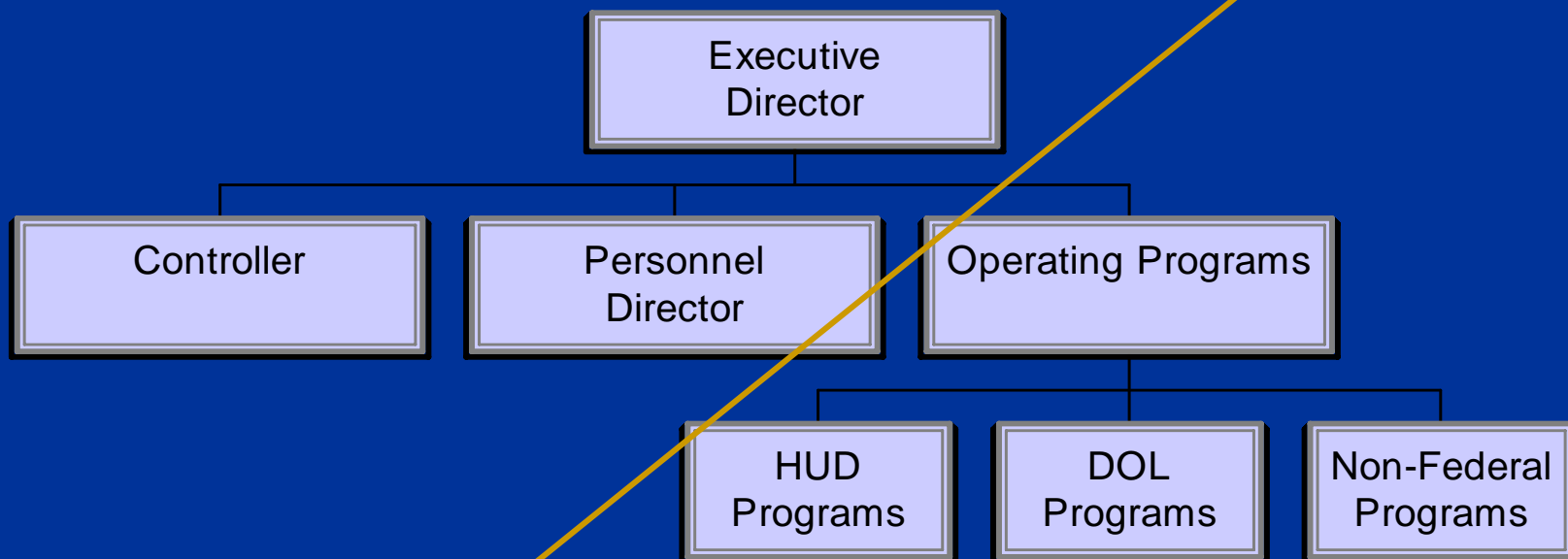


General Principles

What's Allocable?

Pool

Typical Nonprofit Corporation, Inc.



Base



General Principles

Direct vs. Indirect Costs

- The decision to treat a cost as either a direct cost or an indirect costs depends upon the treatment of that cost within the grantee's accounting system.
- Cost policy statements provide documentation on how the grantee treats costs within the accounting system.

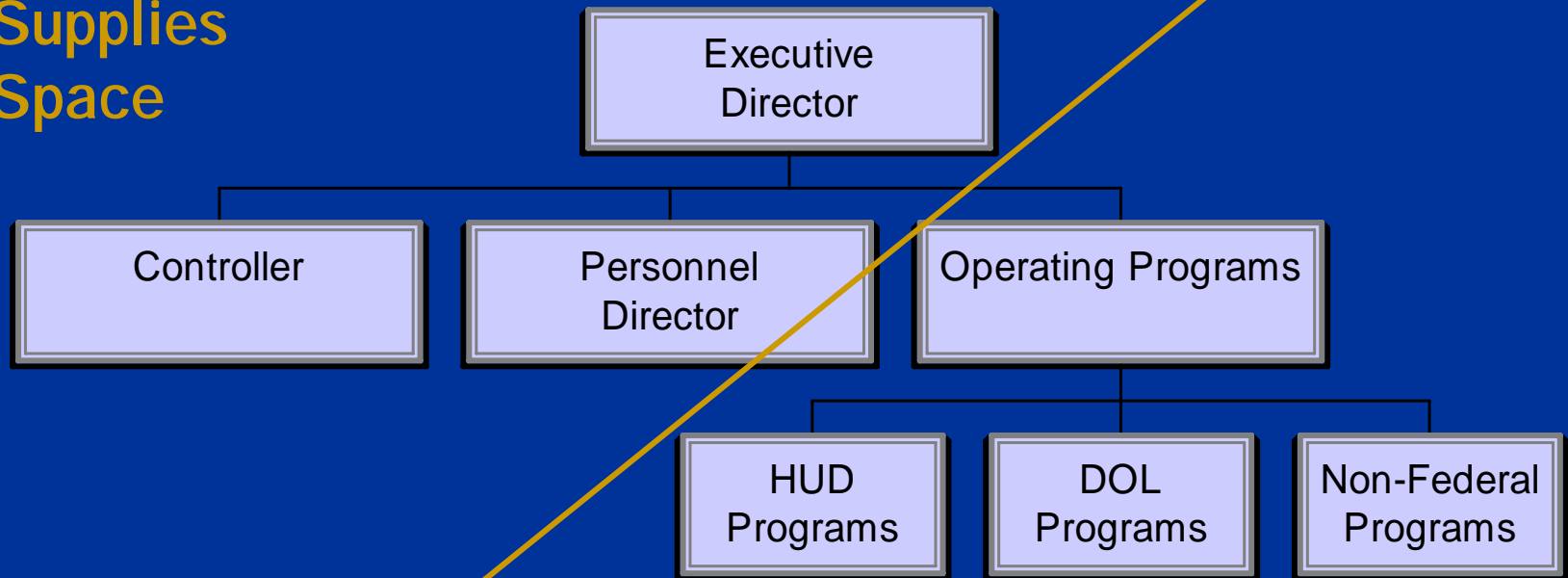


General Principles

Direct vs. Indirect Costs

Typical Nonprofit Corporation, Inc.

Ind S/W
Supplies
Space



Program S/W
Supplies
Space

